

**BENCHMARK**

Financial, Ltd.

A Registered Investment Advisor

May 7, 1999

Mr. Brian Schulman  
General Counsel  
Securities Division  
Arizona Corporation Commission  
1300 West Washington  
Phoenix, AZ 85007

Dear Brian,

This letter is in further follow-up to our recent meeting. As we discussed, the North American Securities Administrators Association ("NASAA") announced at its annual Spring meeting in Washington D.C., the recommendation of a new competency exam for investment advisor representatives (IARs). The new exam, which will replace the old Series 65 exam under the same label, will emphasize for the first time competency elements of the advisory business as well as on knowledge of state securities law. Enclosed please find the model rule and a FAQ sheet composed by NASAA waiving the Series 65 and 66 exam requirements for the CFP designation. The Institute of Certified Financial Planners<sup>1</sup> (the "Institute" or "ICFP"), along with the Greater Phoenix and Tucson Societies of the ICFP, ask that you keep in mind the promotion of uniform regulation of investment advisors should you consider promulgation of exam requirements for IARs.

The ICFP is one of the few industry groups which has consistently supported this important NASAA initiative, simply because it requires its own members to achieve a level of competency as CFP licensees. Our purpose in writing you is twofold: 1) to urge your support of minimum competency standards as a means of enhancing investor protection in Arizona; and 2) to consider a waiver from the new Series 65 exam, if adopted, for persons holding the CFP designation.

Over the past two years, the ICFP has been working with state securities regulators across the country to promote uniformity in state exam requirements. The NASAA Investment Competency Exam Committee developed this test while working closely with both

<sup>1</sup> The Institute of Certified Financial Planners is a Denver-based professional association representing nearly 15,000 CFP practitioners nationwide.

ORIGINAL



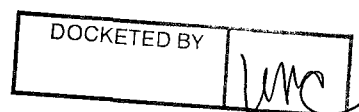
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industry and professional planners. The job analysis performed by NASAA in creating the new Series 65 exam actively integrated the job experience of CFP practitioners.

If you will refer to the matrix I presented at our meeting, you will find a comparison of the new Series 65 exam requirement for IARs to the CFP exam. The CFP examination is 10 hours long, spanning two days. The latter exam exceeds, in both content and cognitive levels, the Series 65 exam. The CFP exam is designed to thoroughly investigate an applicant's comprehensive knowledge of subjects necessary for those applying to practice as a financial planner, including the delivery of investment advisory services.

The aforementioned matrix includes a comparison of the major subgroup content categories of the NASAA exam, as finalized by NASAA's Test Specification Committee, to similar exam topics of the CFP exam. We believe that the detailed listing of topics will give you an excellent and objective yardstick of comparison between the exams.

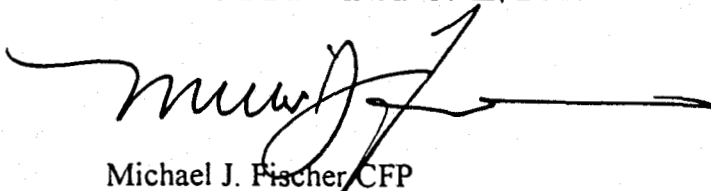
It may also be of interest to you to know that a number of states are poised to issue a waiver for CFP licensees. Clearly, the industry trend definitely favors uniform regulation as witnessed by the NASAA announcement.

I, and my CFP colleagues, appreciate your consideration of this request. Please do not hesitate to contact me if you have any additional comments or questions with regard to the enclosed materials.

We are days away from submitting written input on your rulemaking package, and should have it to you by the end of next week.

With best regards,

BENCHMARK FINANCIAL, LTD.

A handwritten signature in dark ink, appearing to read 'm. j. fischer', with a long horizontal line extending to the right.

Michael J. Fischer, CFP

cc: Sharleen Day  
Cheryl Farson  
Duane Thompson  
Joe Pennington  
Dale Walters

**BENCHMARK**  
Financial, Ltd.

A Registered Investment Advisor

May 10, 1999

Mr. Brian Schulman  
General Counsel  
Securities Division  
Arizona Corporation Commission  
1300 West Washington  
Phoenix, AZ 85007

Dear Brian,

Last week I sent you a letter regarding the waiver of NASAA's new Series 65 Exam and said I had enclosed two related documents. However, I believe in my rush to get the letter out to you, I failed to enclose the documents I mentioned. Thus I have enclosed the NASSA model rule and the FAQ list herein.

If I did provide the documents in my last correspondence, please forgive my redundancy. I apologize for any inconvenience I may have caused.

With best regards,



Michael J. Fischer CFP

Enclosures:

## SAMPLE RULE

(A) EXAMINATION REQUIREMENTS. An individual applying to be registered as an investment adviser or investment adviser representative under the Act shall provide the [Administrator] with proof of obtaining a passing score on one of the following examinations:

(1) The Uniform Investment Adviser Law Examination (Series 65 examination);

or

(2) The General Securities Representative Examination (Series 7 examination) and the Uniform Combined State Law Examination (Series 66 examination).

(B) GRANDFATHERING.

(1) Any individual who is registered as an investment adviser or investment adviser representative in any jurisdiction in the United States on the effective date of this Rule shall not be required to satisfy the examination requirements for continued registration, except that the [Administrator] may require additional examinations for any individual found to have violated any state or federal securities law.

(2) An individual who has not been registered in any jurisdiction for a period of two (2) years shall be required to comply with the examinations requirements of this Rule.

(C) WAIVERS. The examination requirement shall not apply to an individual who currently holds one of the following professional designations:

(1) Certified Financial Planner (CFP) awarded by the International Board of Standards and Practices for Certified Financial Planners, Inc.;

(2) Chartered Financial Consultant (ChFC) awarded by the American College, Bryn Mawr, Pennsylvania;

(3) Personal Financial Specialist (PFS) awarded by the American Institute of Certified Public Accountants;

(4) Chartered Financial Analyst (CFA) awarded by the Institute of Chartered Financial Analysts;

(5) Chartered Investment Counselor (CIC) awarded by the Investment Counsel Association of America, Inc.; or

(6) Such other professional designation as the [Administrator] may by rule or order recognize.

## Frequently Asked Questions:

- When will the new exams be implemented?

The implementation date has not yet been determined. For the most part, the development process is complete. However, individual states have to satisfy requirements specific to their jurisdictions before they can accept the modified examinations. NASAA is currently working with the states to achieve implementation in as short a time frame as possible.

- How can I find out when the new exams will begin to be administered?

NASAA will publicize the roll out of the modified examinations and will try to get notice in as many publications as possible. However, the best source to find out when the new exams will be rolled out is at the NASAA web site at [www.nasaa.org](http://www.nasaa.org). NASAA will put a prominent notice on the front page of its web site at least 90 days prior to implementation of the new examinations.

- Will the NASD still administer and schedule the examinations?

NASAA anticipates maintaining its relationship with the NASD to administer the examinations. As is the case now, applicants will schedule examinations through the NASD.

- Will the examinations be implemented at the same time?

Yes, on implementation day both the modified Series 65 and Series 66 exams will be administered and the current examinations retired.

- What is the content of the new exams?

The Series 65 Exam has four primary content areas.

1. Economics and Analysis
2. Investment Vehicles
3. Investment Recommendations and Strategies
4. Ethics and Legal Guidelines

The Series 66 Exam has two primary content areas.

1. Investment Analysis, Recommendations, and Strategies
2. Ethics and Legal Guidelines (Series 63 and 65 questions)
- 3.

Outlines for the new examinations can be found on the NASAA web site at [www.nasaa.org/exams/Modified/](http://www.nasaa.org/exams/Modified/).

- How many questions are on the exams and how long will you have to take them?

The Series 65 examination will contain 130 items plus 10 pretest items that will not count towards your score. It is anticipated, but not yet final, that candidates will have 180 minutes to take the examination. The Series 66 examination will contain 100 items plus 10 pretest items that will not count towards your score. Additionally, candidates will no longer be required to achieve independent passing scores on different parts of the examination. It is anticipated, but not yet final, that candidates will have 150 minutes to take the examination.

- How much will they cost?

Pricing has not yet been finalized, but it is anticipated that both the Series 65 and Series 66 examinations will cost \$110 per examination.

- Will I have to take the exam over again if I am already registered as an investment adviser or investment adviser representative?

The NASAA Project Group that worked on examination development supplied the states with a sample rule that could be used to implement the new examinations. One aspect of the sample rule is a liberal grandfathering provision that would not require the new examination of an investment adviser representative if he or she were registered with a state on the date the modified examinations are implemented. State jurisdictions are sovereign entities and are not bound by the sample rule in any way, so please check with the jurisdiction in which you desire to be registered to ascertain its policy on grandfathering.

- How is the modified Series 66 different than the current Series 66?

The current Series 66 examination is the combination of the Series 63 and Series 65 examinations. The modified Series 65 examination will include questions relating to investment vehicles and economics, which appear in similar form on the general securities representative Series 7 examination. To prevent those registered representatives that have taken the Series 7 examination that desire to be registered as investment adviser representatives to have to be tested twice on similar content, NASAA assembled a committee of industry experts to compare the content of the Series 7 with the modified Series 65 examination. Out of that comparison, content areas that overlapped were removed from the portion of the modified Series 65 examination that was used as the basis for the modified Series 66 examination. In addition to the non-redundant Series 65 questions, additional Series 63 type questions were added to the Series 66 question bank. Thus, the modified Series 66 examination will consist of questions covering the content of the Series 63 examination and the portion of the modified Series 65 exam that is not redundant to the Series 7 examination. However, to ensure that investment adviser representative applicants are tested on the materials carved out of the modified Series 65 examination, a new requirement that an applicant must satisfy to schedule the Series 66 examination will be passing the Series 7 examination. (Note: The Series 7 is the only exam that will qualify a candidate to sit for the Series 66 exam.)

- Will the Series 65 requirement be waived for individuals with certain credentials?

The NASAA Project Group has included waivers for holders of the following designations:

Certified Financial Planner (CFP) granted by the Certified Financial Planners Board of Standards;  
Chartered Investment Counselor (CIC) granted by the Investment Counsel Association of America;  
Chartered Financial Consultant (ChFC) granted by The American College;  
Personal Financial Specialist (PFS) granted by the American Institute of Certified Public Accountants; and  
Chartered Financial Analyst (CFA) granted by the Association for Investment Management and Research.